

**BARREN COUNTY BOARD OF EDUCATION**

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**BASIC FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION,  
AND INDEPENDENT AUDITOR'S REPORTS  
For the Year Ended June 30, 2009**



BARREN COUNTY BOARD OF EDUCATION

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YEAR ENDED JUNE 30, 2009

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BARREN COUNTY BOARD OF EDUCATION

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## Independent Auditor's Report

Members of the Board of Education  
Barren County Board of Education  
Glasgow, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Barren County Board of Education as of and for the year ended June 30, 2009, which collectively comprise the Barren County Board of Education's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Barren County Board of Education's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*; issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for the School District Audits in *Appendix I of the Independent Auditor's Contract – General Audit Requirements*, *Appendix II of the Independent Auditor's Contract – State Audit Requirements*, and *Appendix III of the Independent Auditor's Contract – Electronic Submission*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2009, and the respective changes in the financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2009 on our consideration of the Barren County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's discussion and analysis and budgetary comparison information on pages 3 through 10 and page 17 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Barren County Board of Education basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements of Barren County Board of Education. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Respectfully submitted,

*Campbell, Myers & Rathledge, PLLC*  
Certified Public Accountants

November 10, 2009

**BARREN COUNTY SCHOOL DISTRICT – GLASGOW, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2009**

As management of the Barren County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

**FINANCIAL HIGHLIGHTS**

- The beginning cash balance for the District was \$814,320.49 in the General Fund.
- State revenue for the Capital Outlay Fund minimally increased \$66 over 07-08. Under the auspices of House Bill 269, the Board of Education voted to use if necessary \$407,936.00 of Capital Outlay funds to offset general fund maintenance expenditures and property insurance. The Board of Education used \$ 323,026.28 for maintenance and property insurance; the remaining amount of \$ 84,909.72 was used for bond payments for buildings.
- State revenue for the Building Fund increased by \$250,748.00, and tax revenue increased by \$89,559.00, resulting in an overall increase of \$340,307.00 (10.39%).
- There was one inter-fund transfer from the General Fund to the KETS grant for the technology offer of assistance in the amount of \$ 87,707.00, which was increase of \$ 35,556 from the previous school year. This represents a 68% increase.
- The General Fund had \$33,777,384.84 in revenue, which includes \$6,537,385 in on behalf payments. General Fund expenditures were \$32,649,585.24, with a carryover of \$ 1,127,799.60. This was an increase of \$ 313,479.11 from the previous year, a 38.5% increase. The Board is very concerned about our future financial prospects in regards to the short term ARRA fund fix. The Board feels compelled to slightly increase our contingency fund in order to provide a cushion to transition away from ARRA funds in 2010-2011 and back to more traditional funding sources.
- The addition of North Jackson Elementary School nicely compliments our other six elementary schools and provided much needed relief to the over-crowded Red Cross Elementary School. North Jackson, a model school, is focused on math and science enrichment and is pursuing numerous local and state partnerships in medical and technical business fields. The building is scheduled to be open August 1<sup>st</sup>, with the completion of the gymnasium to follow sometime during the fall semester. During the 08-09 school year \$ 6,714,698 was expensed out of the construction fund for this project.
- In addition to North Jackson, our board also approved the renovation of the College Street Campus property. This 15,000 square foot facility provides a modern educational environment for our most needy students. This building houses our Day treatment program for troubled youth. Students are not only provided with the traditional state mandated curriculum, but individual and group counseling opportunities are woven into the weekly routine to help students work through emotional barriers. The ultimate goal of this program is to provide a smooth transition back to our Middle and High School program. During the 08-09 school year \$ 298,968.56 was expensed out of the building fund for this property and \$ 90,488.00 was expensed out of general funds for a total cost of \$ 389,456.56.

**BARREN COUNTY SCHOOL DISTRICT – GLASGOW, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2009**

- Fund 54 is a proprietary fund for the community education classes, in which enrollees pay fees to reimburse instructors.
- Fund 61 is a proprietary fund for the operation of the after school program, Trojan Times, initiated during 02-03 to provide after school care and homework help for our students in conjunction with ESS activities to improve scholastic performance and enrichment activities to which students may not otherwise have access.

## **OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Taxes and intergovernmental revenues also support fixed assets and related debt.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The proprietary funds are food service operations (Fund 51), after school program (Fund 52), adult community education program (Fund 54), and fiscal agent fund, Trojan Times (Fund 61).

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Continued

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**BARREN COUNTY SCHOOL DISTRICT – GLASGOW, KENTUCKY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**YEAR ENDED JUNE 30, 2009**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$ 15,222,553 as of June 30, 2009.

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**Net Assets for the period ending June 30, 2009 in comparison to June 30, 2008**

	<u><b>June 30, 2009</b></u>	<u><b>June 30, 2008</b></u>
Current assets	\$ 7,447,001	\$ 3,280,648
Noncurrent assets	<u>70,593,189</u>	<u>62,230,305</u>
<b>Total assets</b>	<b>78,040,190</b>	<b>65,510,953</b>
Current liabilities	6,223,387	4,283,492
Noncurrent liabilities	<u>56,594,250</u>	<u>46,980,626</u>
<b>Total liabilities</b>	<b>62,817,637</b>	<b>51,264,118</b>
Net assets:		
Investment in capital assets (net of debt)	10,930,092	12,901,791
Restricted	3,030,256	1,053,435
Unrestricted	<u>1,262,205</u>	<u>291,609</u>
<b>Total net assets</b>	<b><u>\$ 15,222,553</u></b>	<b><u>\$ 14,246,835</u></b>

**BARREN COUNTY SCHOOL DISTRICT – GLASGOW, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2009**

**Comments on Budget Comparisons**

The following table presents a summary of general fund revenue and expense for the fiscal year ended June 30, 2009.

	<u><b>June 30, 2009</b></u>	<u><b>June 30, 2008</b></u>
Revenues:		
Local revenue sources	\$ 10,005,227	\$ 9,931,706
State revenue sources	32,982,241	32,814,766
Other sources	804,693	619,649
Total revenues	\$ 43,792,161	\$ 43,366,121
Expenses:		
Instruction	\$ 26,291,280	\$ 26,008,718
Student support services	1,232,723	1,199,758
Instructional support	1,473,837	1,734,551
District administration	1,090,489	810,802
School administration	1,613,128	1,641,808
Business support	609,176	884,878
Plant operations	1,176,880	3,744,551
Student transportation	2,168,116	2,541,145
Facilities acquired	2,034,829	875,130
Community service act	343,310	353,387
Other	615,205	112,526
Interst on long-term debt	2,291,404	1,904,746
Depreciation	1,811,425	2,031,959
Total expenses	\$ 42,751,802	\$ 43,843,959
Change in net assets	<u>\$ 1,040,359</u>	<u>\$ (477,838)</u>

**General Fund Revenue Chart 1.**

The majority of revenue was derived from state sources (73.1%) with local funding making up 23.9% of total revenue, beginning balance 2.4 %, federal revenue .4%, and other sources .2%.

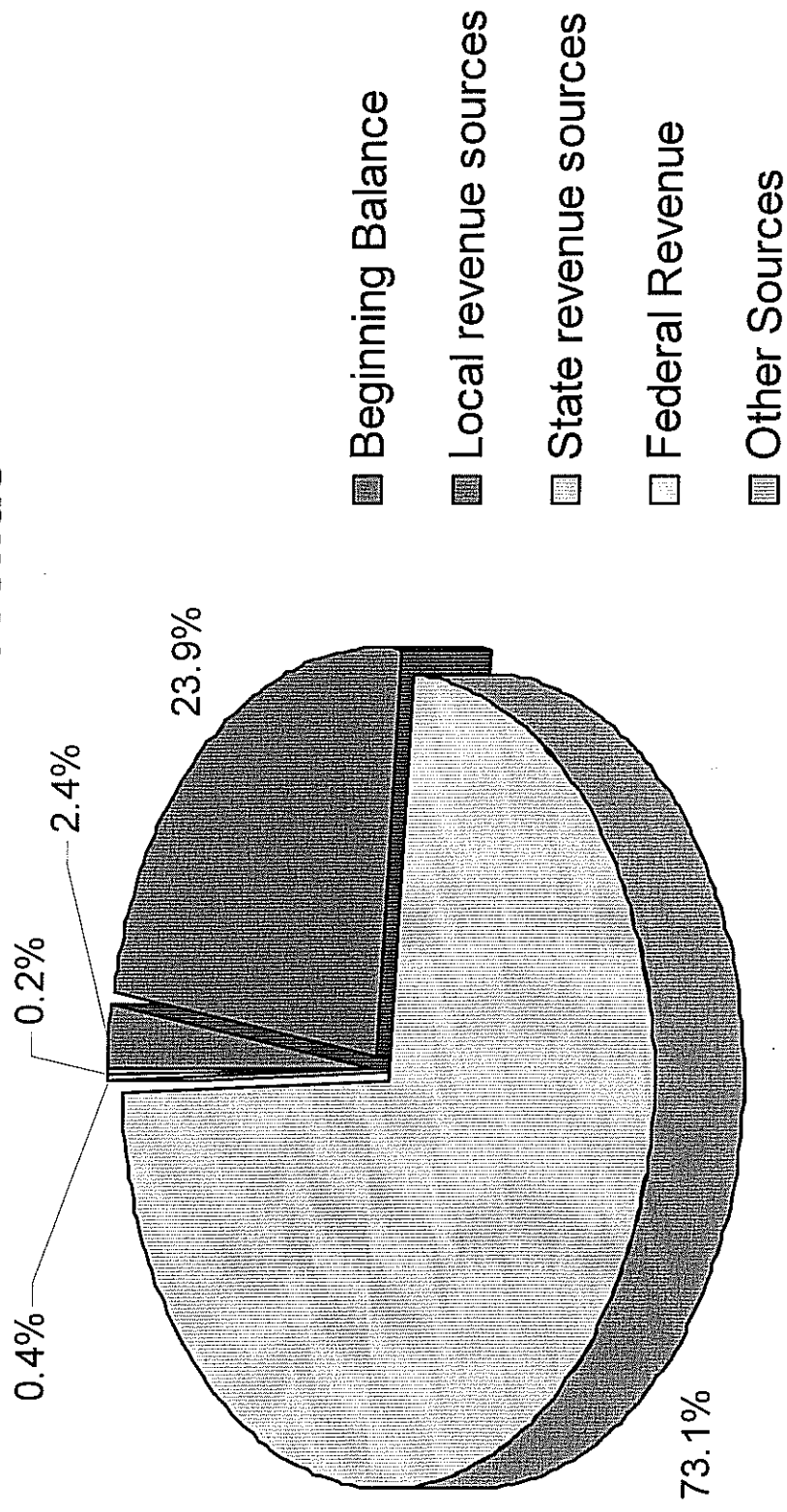
**General Fund Expenditures Chart 2.**

Site Based Decision Making Councils expended 65.2% of the general fund budget. The remaining 34.8% was expended for instructional staff support services, district administrative support, business support services, plant operation and maintenance, student transportation, new construction and renovation. A breakdown of these expenditures is found in Chart 2.

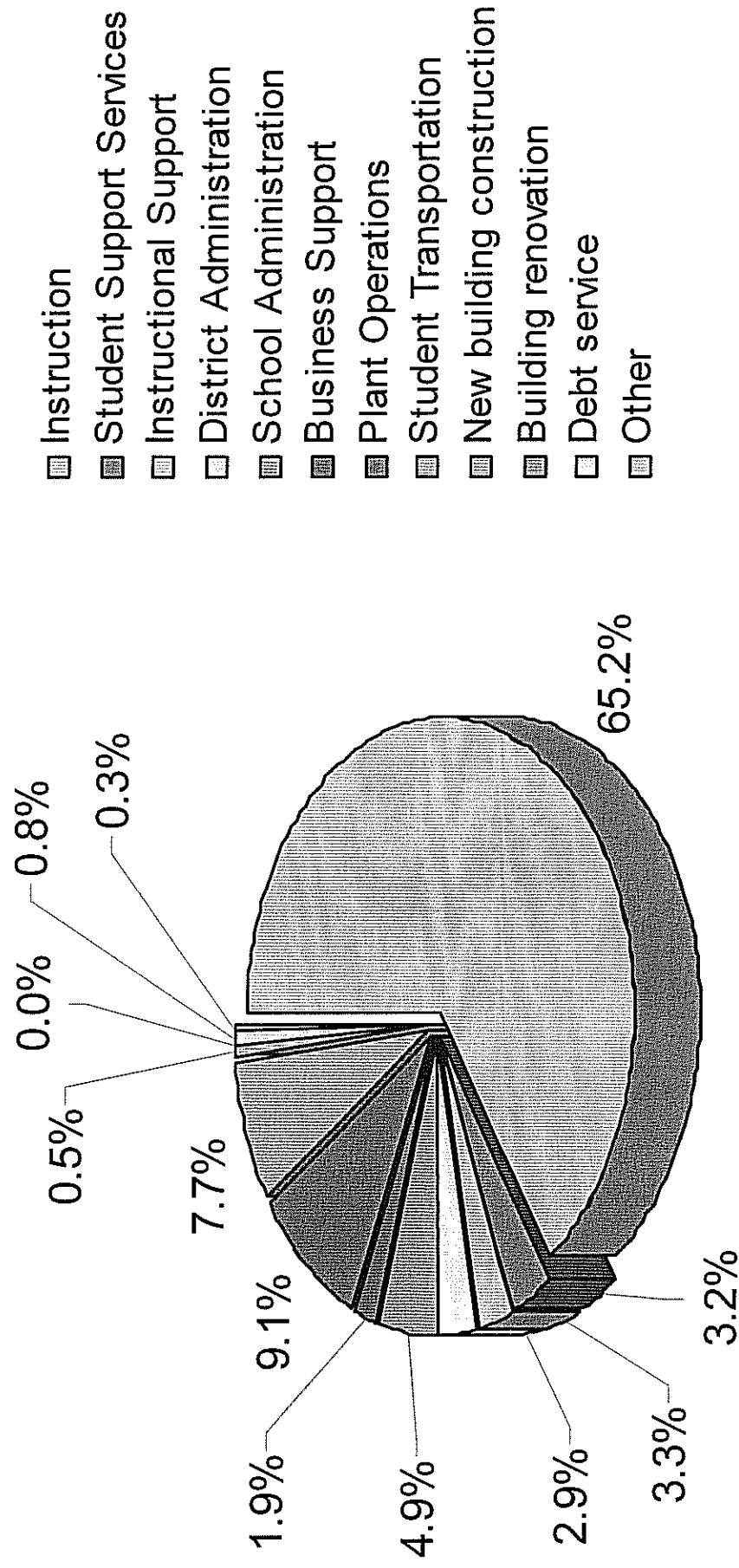
**District Wide Support Services Chart 3.**

District Wide support services expenditures were Instructional Staff Support, Administrative Support, Business Support, Plant Operation and Maintenance, Student Transportation and Central Office Support. A breakdown of these expenditures is found in Chart 3.

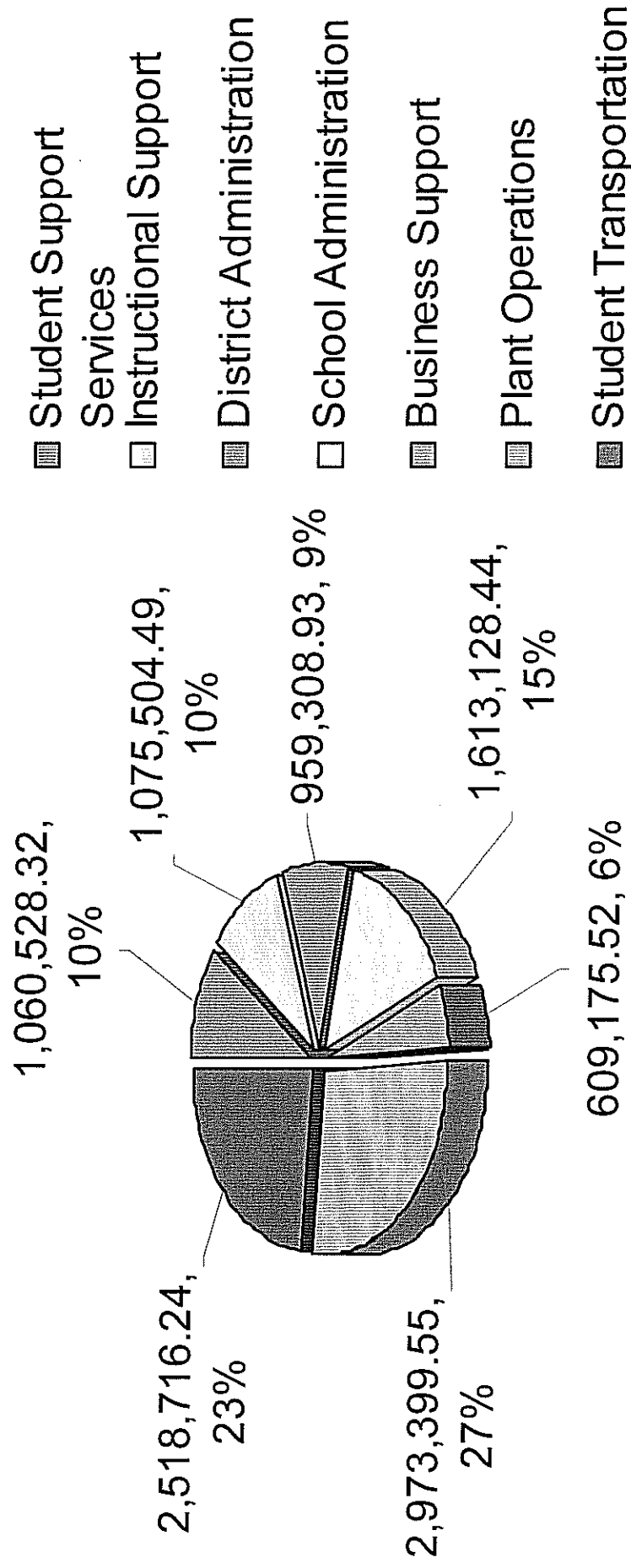
## General Fund Revenue



## General Fund Expenditures



# District Wide Support Services



**BARREN COUNTY SCHOOL DISTRICT – GLASGOW, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2009**

**Long Term Debt**

Long-term debt payments in the amount of \$3,431,922.37 were expended during 2008-09 for the following bond issues:

Bond series 1998 (Red Cross Elementary)  
Bond series 1998-2 (Austin Tracy Elementary)  
Bond series 1998R (BCHS Auditorium)  
Bond series 2001 (Park City Elementary)  
Bond series 2002 (Temple Hill Elementary)  
Bond series 2002R (Barren County Middle School)  
Bond series 2004 (Middle School/Vocational School/Eastern)  
Bond series 2005R (Hiseville)  
Bond series 2006 (Trojan Academy)  
Bond series 2008A (North Jackson)  
Bond series 2008B (North Jackson)  
Bond Series Energy Management

Interest in the amount of \$1,887,973.44 and bond principal payments in the amount of \$1,514,623.00 were expended from the Building Fund and Capital Outlay. General Fund interest and principal in the amount of \$29,325.93 was expended for Energy Management Bond Series.

**BUDGETARY IMPLICATIONS**

In Kentucky, the public schools fiscal year is July 1 to June 30: other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the District overall budget. By law, the budget must have a minimum 2% contingency. (That is scheduled to change for the 09-10 school year). The Barren County Board of Education adopted a budget for 2008-09 with a 2.6% contingency. Significant Board action that impacts financial status included a 1% pay increase for certified and classified employees, a reduction in the amount of textbook revenue, additional spending for facility repairs outside of bonded building and renovation projects, and continued funding of such Board initiatives as student accident insurance coverage, fee money provision for elementary and middle school students, textbook money for high school students, resource curriculum specialists for all grade levels, technology resource specialists, all day kindergarten, open enrollment for preschool students, after school child care, summer feeding program, additional technology money, MAP testing for grades 3 through 9, and additional preschool funding. Two new facilities were completed for use during the 08/09 school year; North Jackson Elementary and College Street Campus. The Board is very concerned about our future financial prospects in regards to the short term ARRA fund fix. The Board feels compelled to slightly increase our contingency fund in order to provide a cushion to transition away from ARRA funds in 2010-2011 and back to more traditional funding sources. With the unfunded 1% salary mandate for 09-10, flat lined per pupil SEEK allocation, heavy cuts in flex focus funding, the budget for the next fiscal year promises to be extremely difficult. Even facing these adverse financial challenges, we continue to address our growing student population and actively evaluate possible land purchases and new construction opportunities to further meet our students' needs and to ultimately reach higher and achieve more.

Questions regarding this report should be directed to the Superintendent Jerry Ralston, Ed.D. **(270-651-3787)** or to John E. Stith, Director of Financial Services **(270-651-3787)** or by mail at 202 W. Washington Street, Glasgow, Ky 42141.

**BARREN COUNTY BOARD OF EDUCATION**  
**STATEMENT OF NET ASSETS**  
**June 30, 2009**

	Governmental Activities	Business Type Activities	Total
<b>Assets:</b>			
<u>Current Assets:</u>			
Cash and cash equivalents	\$ 4,104,563	\$ 20,899	\$ 4,125,462
Inventory	-	60,819	60,819
Accounts receivable			
Taxes - current	315,989	-	315,989
Taxes - delinquent	-	-	-
Accounts receivable	109,858	9,688	119,546
Intergovernmental - state	-	-	-
Intergovernmental - indirect federal	1,151,330	43,000	1,194,330
Prepaid expenses	270,284	-	270,284
Investments	1,360,571	-	1,360,571
Total current assets	<u>7,312,595</u>	<u>134,406</u>	<u>7,447,001</u>
<u>Noncurrent Assets:</u>			
Capital assets	88,261,776	8,457,498	96,719,274
Less: accumulated depreciation	<u>(23,678,701)</u>	<u>(2,447,384)</u>	<u>(26,126,085)</u>
Total noncurrent assets	<u>64,583,075</u>	<u>6,010,114</u>	<u>70,593,189</u>
Total assets	<u>71,895,670</u>	<u>6,144,520</u>	<u>78,040,190</u>
<b>Liabilities:</b>			
<u>Current Liabilities:</u>			
Checks issued in excess of deposits	846,414	-	846,414
Accounts payable	1,732,926	-	1,732,926
Accrued payroll and related expenses	-	-	-
Deferred revenue	304,916	-	304,916
Current portion of bond obligations	2,355,000	-	2,355,000
Current portion of capital lease obligations	249,447	-	249,447
Current portions of accrued sick leave	-	-	-
Interest payable	734,684	-	734,684
Total current liabilities	<u>6,223,387</u>	<u>-</u>	<u>6,223,387</u>
<u>Noncurrent liabilities:</u>			
Noncurrent portion of bond obligations	55,102,600	-	55,102,600
Noncurrent portion of capital lease obligations	942,664	-	942,664
Noncurrent portion of accrued sick leave	548,986	-	548,986
Total noncurrent liabilities	<u>56,594,250</u>	<u>-</u>	<u>56,594,250</u>
Total liabilities	<u>62,817,637</u>	<u>-</u>	<u>62,817,637</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	4,919,978	6,010,114	10,930,092
Restricted for:			
Capital projects	-	-	-
Construction	1,655,927	-	1,655,927
Debt service	1,374,329	-	1,374,329
Special revenue	-	-	-
Other purposes (nonexpendable)	-	-	-
Unrestricted	<u>1,127,799</u>	<u>134,406</u>	<u>1,262,205</u>
Total net assets	<u>\$ 9,078,033</u>	<u>\$ 6,144,520</u>	<u>\$ 15,222,553</u>

See independent auditor's report and  
accompanying notes to basic financial statements

**BARREN COUNTY BOARD OF EDUCATION**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2009**

Functions / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business - Type Activities	Total
Governmental Activities:							
Instruction	\$ 26,291,280	\$ -	\$ 8,167,119	\$ -	\$ (18,124,161)	-	\$ (18,124,161)
Support Services							
Student	1,232,723	-	-	-	(1,232,723)	-	(1,232,723)
Instruction staff	1,473,837	-	-	-	(1,473,837)	-	(1,473,837)
District administrative	1,090,489	-	-	-	(1,090,489)	-	(1,090,489)
School administrative	1,613,128	-	-	-	(1,613,128)	-	(1,613,128)
Business	609,176	-	-	-	(609,176)	-	(609,176)
Plant operations and maintenance	1,176,880	-	-	-	(1,176,880)	-	(1,176,880)
Student Transportation	2,168,116	-	-	-	(2,168,116)	-	(2,168,116)
Central office	-	-	-	-	-	-	-
Facilities acquisition and construction	2,034,829	-	-	-	(2,034,829)	-	(2,034,829)
Community service activities	343,310	-	-	-	(343,310)	-	(343,310)
Other	615,205	-	-	-	(615,205)	-	(615,205)
Interest on long-term debt	2,291,404	-	-	-	(2,291,404)	-	(2,291,404)
Depreciation (unallocated)	1,811,425	-	-	-	(1,811,425)	-	(1,811,425)
Total governmental activities	42,751,802	-	8,167,119	-	(34,584,683)	-	(34,584,683)
Business-Type Activities							
Food Service	3,102,987	1,105,593	1,798,531	120,701	-	(78,162)	(78,162)
Adult Education	2,743	15,355	-	-	-	12,612	12,612
Total business-type activities	3,105,730	1,120,948	1,798,531	120,701	-	(65,550)	(65,550)
Total primary government	\$ 45,857,532	\$ 1,120,948	\$ 9,965,650	\$ 120,701	\$ (34,584,683)	\$ (65,550)	\$ (34,650,233)
General Revenues:							
Taxes:							
					\$ 7,225,374	\$ -	\$ 7,225,374
				Property taxes	792,815	-	792,815
				Motor vehicle taxes	1,987,038	-	1,987,038
				Utilities	-	-	-
				Other	-	-	-
				Investments earnings	193,755	1,034	194,789
				State and formula grants	24,815,122	-	24,815,122
				Miscellaneous	610,938	(125)	610,813
				Total general revenues	35,625,042	909	35,625,951
				Change in net assets	1,040,359	(64,641)	975,718
				Net assets - beginning	8,037,674	6,209,161	14,246,835
				Net assets - ending	\$ 9,078,033	\$ 6,144,520	\$ 15,222,553

See independent auditor's report and  
accompanying notes to basic financial statements.



**BARREN COUNTY BOARD OF EDUCATION  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2009**

	General Fund	Special Revenue	Construction Fund	Debt Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets and resources:</b>						
Cash and cash equivalents	\$ 734,197	\$ -	\$ 3,356,608	\$ 13,758	\$ -	\$ 4,104,563
Inventories	-	-	-	-	-	-
Accounts receivable:						
Taxes-current	315,989	-	-	-	-	315,989
Taxes-delinquent	-	-	-	-	-	-
Accounts receivable	109,858	-	-	-	-	109,858
Intergovernmental-state	-	-	-	-	-	-
Intergovernmental - indirect federal	-	1,151,330	-	-	-	1,151,330
Prepaid expenses	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-
Investments	-	-	-	1,360,571	-	1,360,571
<b>Total assets and resources</b>	<b>\$ 1,160,044</b>	<b>\$ 1,151,330</b>	<b>\$ 3,356,608</b>	<b>\$ 1,374,329</b>	<b>\$ -</b>	<b>\$ 7,042,311</b>
<b>Liabilities and fund balance:</b>						
<b>Liabilities:</b>						
Checks issued in excess of deposits	\$ -	\$ 846,414	\$ -	\$ -	\$ -	\$ 846,414
Accounts payable	32,245	-	1,700,681	-	-	1,732,926
Accrued payroll and related expenses	-	-	-	-	-	-
Current portion of accumulated sick leave	-	-	-	-	-	-
Deferred revenues	-	304,916	-	-	-	304,916
<b>Total liabilities</b>	<b>32,245</b>	<b>1,151,330</b>	<b>1,700,681</b>	<b>-</b>	<b>-</b>	<b>2,884,256</b>
<b>Fund balances:</b>						
Reserved for:						
Inventory and fixed assets	-	-	-	-	-	-
Encumbrances	-	-	-	-	-	-
Accrued sick leave	-	-	-	-	-	-
Unreserved:						
Undesignated, reported in:						
General fund	1,127,799	-	-	-	-	1,127,799
Special revenue funds	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-
Debt service funds	-	-	-	1,374,329	-	1,374,329
Construction funds	-	-	1,655,927	-	-	1,655,927
<b>Total fund balances</b>	<b>1,127,799</b>	<b>-</b>	<b>1,655,927</b>	<b>1,374,329</b>	<b>-</b>	<b>4,158,055</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,160,044</b>	<b>\$ 1,151,330</b>	<b>\$ 3,356,608</b>	<b>\$ 1,374,329</b>	<b>\$ -</b>	<b>\$ 7,042,311</b>

See independent auditor's report and  
accompanying notes to basic financial statements.

**BARREN COUNTY BOARD OF EDUCATION  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2009**

Total fund balance per fund financial statements	\$ 4,158,055
--	--------------

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net assets.	64,583,075
--	------------

Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and accrued interest) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net assets.	<u>(59,663,097)</u>
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Net assets for governmental activities	<u>\$ 9,078,033</u>
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See independent auditor's report and  
accompanying notes to basic financial statements.

**BARREN COUNTY BOARD OF EDUCATION**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2009**

	General Fund	Special Revenue	Construction Fund	Debt Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
From local sources:						
Taxes:						
Property	\$ 5,101,227	\$ -	\$ -	\$ -	\$ 2,124,147	\$ 7,225,374
Motor vehicles	792,815	-	-	-	-	792,815
Utilities	1,987,038	-	-	-	-	1,987,038
Other	-	-	-	-	-	-
Tuition and fees	-	-	-	-	-	-
Earnings on investments	32,403	1,946	98,392	61,014	-	193,755
Other local revenues	152,608	292,527	2,750	-	-	447,885
Intergovernmental - intermediate	-	-	-	-	-	-
Intergovernmental-state	24,688,987	1,728,411	-	637,012	1,900,424	28,954,834
Intergovernmental-indirect federal	-	3,901,272	-	-	-	3,901,272
Intergovernmental-direct federal	126,135	-	-	-	-	126,135
Total revenues	32,881,213	5,924,156	101,142	698,026	4,024,571	43,629,108
<b>Expenditures:</b>						
Instruction	21,301,364	4,966,845	-	-	-	26,268,209
Support services:						
Student	1,060,528	172,195	-	-	-	1,232,723
Instructional staff	1,075,504	398,333	-	-	-	1,473,837
District administration	959,309	131,180	-	-	-	1,090,489
School administration	1,613,128	-	-	-	-	1,613,128
Business	609,176	-	-	-	-	609,176
Plant operations and maintenance	2,944,073	-	-	-	323,026	3,267,099
Student transportation	2,518,716	-	-	-	-	2,518,716
Central office	-	-	-	-	-	-
Facilities and construction	182,011	-	9,836,173	-	298,969	10,317,153
Community service activities	-	343,310	-	-	-	343,310
Other	268,741	-	-	4,129,931	-	4,398,672
Total expenditures	32,532,550	6,011,863	9,836,173	4,129,931	621,995	53,132,512
Excess (deficit) of revenues over expenditures	348,663	(87,707)	(9,735,031)	(3,431,905)	3,402,576	(9,503,404)
<b>Other financing sources (uses):</b>						
Proceeds from sale of bonds	-	-	11,628,260	-	-	11,628,260
Proceeds from sale of fixed assets	81,849	-	-	-	-	81,849
Realized gains and losses	-	-	-	-	-	-
and changes in market value	-	-	-	-	-	-
Operating transfers in	-	87,707	-	83,595	-	83,595
Operating transfers out	(117,033)	-	-	3,431,902	-	3,519,609
Total other financing sources (uses)	(35,184)	87,707	11,628,260	3,515,497	(3,402,576)	11,793,704
Excess (deficit) of revenues and other financing sources over expenditures						
and other financing uses	313,478	-	1,893,229	83,592	-	2,290,300
Fund balance, July 1, 2008	814,320	-	(237,302)	1,290,737	-	1,867,755
Fund balance, June 30, 2009	\$ 1,127,799	\$ -	\$ 1,655,927	\$ 1,374,329	\$ -	\$ 4,158,055

See independent auditor's report and accompanying notes to basic financial statements.



**BARREN COUNTY BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**For the Year Ended June 30, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
From local sources:				
Taxes:				
Property	\$ 5,030,256	\$ 5,030,256	\$ 5,101,227	\$ 70,971
Motor vehicles	900,000	900,000	792,815	(107,185)
Utilities	2,000,000	2,000,000	1,987,038	(12,962)
Other	-	-	-	-
Tuition and fees	-	-	-	-
Earnings on investments	86,261	86,261	32,403	(53,858)
Other local revenues	183,600	183,600	152,608	(30,992)
Intergovernmental - intermediate	-	-	-	-
Intergovernmental-state	18,437,694	18,437,694	24,688,987	6,251,293
Intergovernmental-indirect federal	-	-	-	-
Intergovernmental-direct federal	30,000	30,000	126,135	96,135
Total revenues	<u>26,667,811</u>	<u>26,667,811</u>	<u>32,881,213</u>	<u>6,213,402</u>
Expenditures:				
Instruction	15,417,600	15,417,600	21,301,364	(5,883,764)
Support services:				
Student	814,339	814,339	1,060,528	(246,189)
Instructional staff	997,116	997,116	1,075,504	(78,388)
District administration	1,704,124	1,704,124	959,309	744,815
School administration	1,617,721	1,617,721	1,613,128	4,593
Business	747,513	747,513	609,176	138,337
Plant operations and maintenance	3,000,656	3,000,656	2,944,073	56,583
Student transportation	2,664,824	2,664,824	2,518,716	146,108
Central office	-	-	-	-
Facilities acquisition and construction	192,820	192,820	182,011	10,809
Community service activities	-	-	-	-
Other	279,418	279,418	268,741	10,677
Total expenditures	<u>27,436,131</u>	<u>27,436,131</u>	<u>32,532,550</u>	<u>(5,096,419)</u>
Excess (deficit) of revenues over expenditures	<u>(768,320)</u>	<u>(768,320)</u>	<u>348,663</u>	<u>1,116,983</u>
Other financing sources (uses):				
Proceeds from sale of bonds	-	-	-	-
Proceeds from sale of fixed assets	9,000	9,000	81,849	72,849
Operating transfers in	-	-	-	-
Operating transfers out	(55,000)	(55,000)	(117,033)	(62,033)
Total other financing sources (uses)	<u>(46,000)</u>	<u>(46,000)</u>	<u>(35,184)</u>	<u>10,816</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>(814,320)</u>	<u>(814,320)</u>	<u>313,479</u>	<u>1,127,799</u>
Fund balance, July 1, 2008	<u>814,320</u>	<u>814,320</u>	<u>814,320</u>	<u>-</u>
Fund balance, June 30, 2009	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,127,799</u>	<u>\$ 1,127,799</u>

See independent auditor's report and  
 accompanying notes to basic financial statements.

**BARREN COUNTY BOARD OF EDUCATION**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**June 30, 2009**

	Food Service Fund	Community Adult Education Fund	Total
<b>Assets</b>			
<u>Current Assets</u>			
Cash and cash equivalents	\$ 8,900	\$ 11,999	\$ 20,899
Inventory	60,206	613	60,819
Accounts receivable			
Taxes - current	-	-	-
Taxes - delinquent	-	-	-
Accounts receivable	9,688	-	9,688
Intergovernmental - state	-	-	-
Intergovernmental - indirect federal	-	-	-
Intergovernmental - direct federal	43,000	-	43,000
Interest receivable	-	-	-
Investments	-	-	-
Total current assets	<u>121,794</u>	<u>12,612</u>	<u>134,406</u>
<b>Noncurrent</b>			
Capital assets	8,457,498	-	8,457,498
Less: accumulated depreciation	(2,447,384)	-	(2,447,384)
Investments	-	-	-
Total noncurrent assets	<u>6,010,114</u>	<u>-</u>	<u>6,010,114</u>
Total assets	<u>\$ 6,131,908</u>	<u>\$ 12,612</u>	<u>\$ 6,144,520</u>
<b>Liabilities</b>			
<u>Current Liabilities</u>			
Accounts payable	\$ -	\$ -	\$ -
Accrued payroll and related expenses	-	-	-
Due to other funds	-	-	-
Deferred revenue	-	-	-
Current portion of long-term obligation	-	-	-
Accrued sick leave	-	-	-
Total current liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Assets</b>			
Invested in capital assets			
net of related debt	6,010,114	-	6,010,114
Unrestricted	<u>121,794</u>	<u>12,612</u>	<u>134,406</u>
Total net assets	<u>\$ 6,131,908</u>	<u>\$ 12,612</u>	<u>\$ 6,144,520</u>

See independent auditor's report and  
accompanying notes to basic financial statements.

**BARREN COUNTY BOARD OF EDUCATION**  
**STATEMENT REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2009**

	Food Service Fund	Community Adult Education Fund	Total
Operating Revenues:			
Community service activities	\$ -	\$ 15,355	\$ 15,355
Lunchroom sales	1,105,593	-	1,105,593
Other operating revenues	<u>-</u>	<u>-</u>	<u>-</u>
Total operating revenues	<u>1,105,593</u>	<u>15,355</u>	<u>1,120,948</u>
Operating Expenses:			
Salaries and wages	1,208,948	-	1,208,948
Professional and contract services	82,973	-	82,973
Material and supplies	1,549,338	2,743	1,552,081
Depreciation	261,283	-	261,283
Other operating expenses	<u>445</u>	<u>-</u>	<u>445</u>
Total operating expenses	<u>3,102,987</u>	<u>2,743</u>	<u>3,105,730</u>
Operating income (loss)	<u>(1,997,394)</u>	<u>12,612</u>	<u>(1,984,782)</u>
Non-Operating Revenues (Expenses)			
Gain (Loss) on equipment	(125)	-	(125)
Federal grants	1,597,435	-	1,597,435
Donated commodities	120,701	-	120,701
Contributions	-	-	-
State grants & funding	201,096	-	201,096
Transfer of capital assets	-	-	-
Interest income	<u>1,034</u>	<u>-</u>	<u>1,034</u>
Total non-operating revenues	<u>1,920,141</u>	<u>-</u>	<u>1,920,141</u>
Net income (loss)	(77,253)	12,612	(64,641)
Net assets, July 1, 2008	<u>6,209,161</u>	<u>-</u>	<u>6,209,161</u>
Net assets, June 30, 2009	<u>\$ 6,131,908</u>	<u>\$ 12,612</u>	<u>\$ 6,144,520</u>

See independent auditor's report and  
accompanying notes to basic financial statements.

**BARREN COUNTY BOARD OF EDUCATION**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2009**

	Food Service Fund	Community Adult Education Fund	Total
Cash Flows From Operating Activities:			
Cash received from:			
Community service activities	\$ -	\$ 15,355	\$ 15,355
Lunchroom sales	1,105,593	-	1,105,593
Government grants	1,798,531	-	1,798,531
Other activities	-	-	-
Cash paid to/for			
Employees	(1,208,948)	-	(1,208,948)
Supplies	(1,538,327)	(3,356)	(1,541,683)
Other activities	(83,418)	-	(83,418)
Net cash provided (used) by operating activities	<u>73,431</u>	<u>11,999</u>	<u>85,430</u>
Cash Flows from Capital and Related Financing Activities:			
Purchase of capital assets	(65,565)	-	(65,565)
Cash Flows from Investing Activities:			
Receipt of interest income	1,034	-	1,034
Net increase (decrease) in cash and cash equivalents	8,900	11,999	20,899
Balances, beginning of year	-	-	-
Balances, end of year	<u>\$ 8,900</u>	<u>\$ 11,999</u>	<u>\$ 20,899</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Net income (loss)	\$ (77,253)	\$ 12,612	\$ (64,641)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	261,283	-	261,283
Gain(Loss) on equipment	(125)	-	(125)
Interest	(1,034)	-	(1,034)
Change in assets and liabilities			
Inventory	(1,383)	(613)	(1,996)
Accounts receivable	(4,906)	-	(4,906)
Checks issued in excess of cash	(95,037)	-	(95,037)
Accounts payable	(8,114)	-	(8,114)
Net cash provided (used) by operating activities	<u>\$ 73,431</u>	<u>\$ 11,999</u>	<u>\$ 85,430</u>
Schedule of non-cash transactions:			
On Behalf Payments	<u>\$ 171,874</u>		
Donated commodities received from federal government	<u>\$ 120,701</u>		



**BARREN COUNTY BOARD OF EDUCATION**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**June 30, 2009**

	Fiscal Agent Funds	Agency Funds
	<u>          </u>	<u>          </u>
Assets		
Cash and cash equivalents	\$ 50,000	\$ 593,693
Accounts receivable	<u>11,314</u>	<u>3,323</u>
Total assets	<u>\$ 61,314</u>	<u>\$ 597,016</u>
Liabilities		
Checks issued in excess of deposits	\$ 22,420	\$ 5,700
Accounts payable	-	39,141
Due to student groups	<u>-</u>	<u>557,875</u>
Total liabilities	<u>22,420</u>	<u>602,716</u>
Net Assets Held in Trust	<u>\$ 38,894</u>	<u>\$ (5,700)</u>

See independent auditor's report and  
accompanying notes to basic financial statements.

**BARREN COUNTY BOARD OF EDUCATION**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**For the Year Ended June 30, 2009**

	Fiscal Agent Fund
Additions	
Fees	\$ 184,375
Other local revenue	-
State funding	39,345
Interest income	<u>2,606</u>
Total Additions	<u>226,326</u>
Deductions	
Salaries and benefits	202,989
Purchased services	305
Supplies and materials	25,989
Miscellaneous	<u>-</u>
Total deductions	<u>229,283</u>
Changes in net assets	(2,957)
Net assets, beginning of year	<u>41,851</u>
Net assets, end of year	<u><u>\$ 38,894</u></u>

**BARREN COUNTY BOARD OF EDUCATION  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2009**

1. Summary of Significant Accounting Policies:

Reporting Entity

The Barren County Board of Education, ("Board"), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Barren County Board of Education ("District"). The District receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Barren County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Barren County Board of Education Finance Corporation - On July 23, 1991, the Board of Education resolved to authorize the establishment of the Barren County Board of Education Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the "Corporation") as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors.

Basis of Presentation:

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**BARREN COUNTY BOARD OF EDUCATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED**  
**June 30, 2009**

1. Summary of Significant Accounting Policies, Continued:

Basis of Presentation, Continued:

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. District expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I. Governmental Fund Types

- a. The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- b. The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on page 46. This is a major fund of the District.

**BARREN COUNTY BOARD OF EDUCATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED**  
**June 30, 2009**

1. Summary of Significant Accounting Policies, Continued:

Basis of Presentation, Continued:

I. Governmental Fund Types, Continued:

- c. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
  - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the district's facility plan.
  - 2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan. This is a major fund of the District.
  - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
- d. Debt Service Funds  
The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II. Proprietary Fund Types (Enterprise Fund)

- a. The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund. The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

III. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

- a. The Agency fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.
- b. The Private Purpose Trust Funds are used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments.

**BARREN COUNTY BOARD OF EDUCATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED**  
**June 30, 2009**

1. Summary of Significant Accounting Policies, Continued:

Basis of Accounting:

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net assets as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

**BARREN COUNTY BOARD OF EDUCATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED**  
**June 30, 2009**

1. Summary of Significant Accounting Policies, Continued:

Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 60 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2009, to finance the General Fund operations were \$.565 per \$100 valuation for real property, \$.565 per \$100 valuation for business personal property and \$.492 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

**BARREN COUNTY BOARD OF EDUCATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED**  
**June 30, 2009**

1. Summary of Significant Accounting Policies, Continued:

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accumulated sick leave payable" in the general fund. The noncurrent portion of the liability is not reported.

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Per Board policy, only amendments that aggregate greater than \$50,000 require Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.



**BARREN COUNTY BOARD OF EDUCATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED**  
**June 30, 2009**

1. Summary of Significant Accounting Policies, Continued:

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Inventories

On government-wide financial statements inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

The food service fund uses the specific identification method and the general fund uses the first-in, first-out method.

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2009 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Investments

The private purpose trust funds record investments at their quoted market prices. All realized gains and losses and changes in fair value are recorded in the Statement of Changes in Fiduciary Net Assets.

The permanent funds record investments at their quoted market value prices for purposes of the Statement of Net Assets. All realized gains and losses and changes in fair value are recorded in the Statement of Activities. Long-term investments are not recorded on the fund financial statements nor are unrealized gains and losses.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

**BARREN COUNTY BOARD OF EDUCATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED**  
**June 30, 2009**

1. Summary of Significant Accounting Policies, Continued:

Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories and fixed assets.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

On-Behalf Payments

During the year ended June 30, 2009, the Kentucky Division of Finance made payments on behalf of Barren County Board of Education in amount of \$6,619,667. These payments were paid for fringe benefits and retirement for the District personnel. These payments have been included in both revenue and expenditures on the Board's financial statements for the year ended June 30, 2009.

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**BARREN COUNTY BOARD OF EDUCATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED**  
**June 30, 2009**

2. Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

3. Cash Deposits and Investments:

At year end, the carrying amount of the District's total investments and cash equivalents net of checks issued in excess of deposits was \$5,255,192. These amounts were covered by Federal Depository Insurance or by securities pledged by the financial institution.

The Kentucky Legislature has placed limitations on investments and investment policy. No more than 20% can be invested in one or more of the following categories; uncollateralized certificates of deposit, banker's acceptances, commercial paper, or securities issued by a state or local government at any one time. The district has no investment policy that would further limit its investment choices. Cash equivalents are funds with a maturity of 90 days or less. The following is a schedule summarizing the District's investments and cash equivalents net of checks issued in excess of cash, at June 30, 2009.

<u>Type</u>	<u>Fair Values</u>	<u>Cash Equivalents (Net)</u>
Federal Home Loan Mortgage Co.	1,360,571	-
Cash and other Deposits	1,674,042	1,674,042
Certificate of Deposits	2,220,579	2,220,579
Total	<u>\$ 5,255,192</u>	<u>\$ 3,894,621</u>

Interest Rate Risk

The district regularly reviews investments amounts, rates, duration, and current market values of the funds invested. As a means of managing the district's exposure to fair value losses arising from increasing interest rates, the district primarily purchases investments with a maturity of less than three months. No investments in Money Market Accounts or Certificates of Deposit were in excess of federally insured limits.

Concentration of Credit Risk

The district places no limit on the amount that may be invested in any one issuer. More than 5% of the District's investments are in the Federal Home Loan Mortgage Co. These investments are 76% of the district's total investments.

**BARREN COUNTY BOARD OF EDUCATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED**  
**June 30, 2009**

4. Capital Assets:

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance July 1, 2008	Additions	Disposals	Balance June 30, 2009
<b>Governmental Activities</b>				
Capital Assets, not being Depreciated:				
Land	\$ 2,010,314	\$ -	\$ -	\$ 2,010,314
Construction in Progress	500,122	8,282,324	-	8,782,446
Total Capital Assets, not being Depreciated	2,510,436	8,282,324	-	10,792,760
Capital Assets, being Depreciated:				
Buildings & Equipment	67,310,138	2,051,575	-	69,361,713
Technology Equipment	2,050,686	36,267	(18,422)	2,068,531
Technology Equipment - Adult Ed	61,548	-	-	61,548
Vehicles	4,081,857	-	-	4,081,857
General Equipment	1,895,184	2,377	(2,194)	1,895,367
Total Capital Assets, being Depreciated	75,399,413	2,090,219	(20,616)	77,469,016
Less Accumulated Depreciation:				
Buildings & Equipment	(16,036,647)	(1,319,102)	-	(17,355,749)
Technology Equipment	(1,500,113)	(190,015)	17,786	(1,672,342)
Technology Equipment - Adult Ed	(50,423)	(7,517)	-	(57,940)
Vehicles	(2,749,894)	(219,061)	-	(2,968,955)
General Equipment	(1,548,424)	(75,730)	439	(1,623,715)
Total Accumulated Depreciation	(21,885,501)	(1,811,425)	18,225	(23,678,701)
Governmental Activities Capital Assets - Net	<u>\$ 56,024,348</u>	<u>\$ 8,561,118</u>	<u>\$ (2,391)</u>	<u>\$ 64,583,075</u>
<b>Proprietary Activities</b>				
Capital Assets, being Depreciated:				
Buildings & Equipment	\$ 6,779,997	\$ -	\$ -	\$ 6,779,997
Technology Equipment	9,790	-	-	9,790
General Equipment	1,606,546	65,565	(4,400)	1,667,711
Total Capital Assets being Depreciated	8,396,333	65,565	(4,400)	8,457,498
Less Accumulated Depreciation:				
Buildings & Equipment	(1,472,266)	(135,387)	-	(1,607,653)
Technology Equipment	(5,678)	(1,905)	-	(7,583)
General Equipment	(712,432)	(123,991)	4,275	(832,148)
Total Accumulated Depreciation	(2,190,376)	(261,283)	4,275	(2,447,384)
Proprietary Activities Capital Assets - Net	<u>\$ 6,205,957</u>	<u>\$ (195,718)</u>	<u>\$ (125)</u>	<u>\$ 6,010,114</u>

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as "unallocated".

Construction in progress consists of:

	Estimated Cost	Costs to date	Remaining Costs	% Complete
North Jackson Elementary	10,938,171	8,782,446	2,155,725	80.29%

**BARREN COUNTY BOARD OF EDUCATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED**  
**June 30, 2009**

5. Bonded Debt and Lease Obligations:

The original amount of the issue, the issue dates, and interest rates are summarized below:

<u>Issue</u>	<u>Original Amount</u>	<u>Interest Rates</u>
Issue of 1998 (Refunding of 1991)	\$ 2,220,000	4.125% - 4.4%
Issue of 1998 (Red Cross)	\$ 5,485,000	4.25% - 5%
Issue of 1998 (Austin Tracy)	\$ 3,900,000	4% - 4.75%
Issue of 2001 (Park City)	\$ 3,750,000	3.4% - 4.9%
Issue of 2001 (Barren Co. High School)	\$ 1,457,600	-
Issue of 2002 (Temple Hill)	\$ 5,420,000	1.65% - 4.8%
Issue of 2002 (Refunding of 1993)	\$ 3,370,000	1.9% - 3.95%
Issue of 2004	\$ 14,120,000	3.5% - 5.00%
Issue of 2005 (Refunding of 1996)	\$ 2,810,000	3.0% - 3.7%
Issue of 2006	\$ 12,040,000	3.5% - 4.375%
Issue of 2008 A	\$ 1,270,000	2.4% - 4.375%
Issue of 2008 B	\$ 10,210,000	3.0% - 4.875%
Issue of 2008 Energy	\$ 1,740,000	2.5% - 4.5%
Issue of 2009 (Refunding of 98)	\$ 6,435,000	2.0% - 3.0%

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bond issued by the Barren County Fiscal Court to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

In February, 1998, the Board approved the issuance of refunding revenue bonds in the amount of \$2,220,000. These proceeds were used to call the remainder of the outstanding bonds of the issue of 1991. These bonds, accumulated interest costs and call premiums related to the 1991 issue, were paid on December 1, 1998, from the Bond Escrow Account. The estimated savings to the District as a result of the refunding is approximately \$141,000.

In July, 2001, the Board approved issuance of Qualified Zone Academy Bonds in amount of \$1,457,600. This required an initial investment by the School District of \$817,320, which at maturity in 2014, will be sufficient to defease the total principal. This \$817,320 investment is included on the financial statements as restricted debt service fund balance at market value of \$1,360,571.

In October, 2002, the Board approved the issuance of refunding revenue bonds in the amount of \$3,370,000. These proceeds were used to call the remainder of the outstanding bonds of the issue of 1993. These bonds, accumulated interest costs and call premiums related to the 1993 issue, were paid on March 14, 2003, from the Bond Escrow Account.

In February, 2005, the Board approved the issuance of refunding revenue bonds in the amount of \$2,810,000. These proceeds were used to call the remainder of the outstanding bonds of the issue of 1996.

In August, 2006, the Board issued bonds in the amount of \$12,040,000. These funds will be used in the construction of the Trojan Academy.

**BARREN COUNTY BOARD OF EDUCATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED**  
**June 30, 2009**

5. Bonded Debt and Lease Obligations, Continued:

On September 11, 2008 the District issued energy conservation revenue bonds, Series 2008, in the amount of \$1,740,000. Interest rates for the Series 2008 bonds range from 2.5% to 4.65%, and will mature on September 1, 2028.

On September 17, 2008 the District issued school building revenue bonds, Series 2008B, in the amount of \$10,210,000. The Series 2008B bonds will mature on September 1, 2028, and have interest rates ranging from 2% to 4.7%. The bonds were issued to finance the construction of North Jackson Elementary School.

In January, 2009, the Board approved the issuance of refunding revenue bonds in the amount of \$6,435,000. These proceeds were used to call the remainder of the outstanding bonds of the issue of 1998.

In 1991, the District entered into "participation agreements" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and as such, the total principal outstanding has been recorded in the financial statements.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2009, for debt service (principal and interest) are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Participation</u>	<u>District's Portion</u>
2009-10	\$ 2,355,000	\$ 2,279,660	\$ 671,409	\$ 3,963,251
2010-11	2,430,000	2,205,337	671,410	3,963,927
2011-12	2,510,000	2,125,363	671,409	3,963,954
2012-13	2,600,000	2,044,653	671,409	3,973,244
2013-14	2,475,000	1,957,757	453,330	3,979,427
2014-15	4,007,600	1,871,299	438,681	5,440,218
2015-16	2,645,000	1,777,806	438,680	3,984,126
2016-17	2,735,000	1,676,112	420,657	3,990,455
2017-18	2,800,000	1,572,537	380,817	3,991,720
2018-19	2,875,000	1,458,336	339,270	3,994,066
2019-20	2,935,000	1,338,569	223,321	4,050,248
2020-21	3,070,000	1,204,136	223,321	4,050,815
2021-22	3,230,000	1,048,943	223,319	4,055,624
2022-23	3,405,000	880,120	223,319	4,061,801
2023-24	3,560,000	720,664	223,319	4,057,345
2024-25	3,725,000	550,984	215,836	4,060,148
2025-26	3,380,000	391,010	198,655	3,572,355
2026-27	3,495,000	237,486	167,047	3,565,439
2027-28	1,670,000	118,870	44,607	1,744,263
2028-29	1,555,000	37,585	34,399	1,558,186
	<u>\$ 57,457,600</u>	<u>\$ 25,497,227</u>	<u>\$ 6,934,215</u>	<u>\$ 76,020,612</u>

**BARREN COUNTY BOARD OF EDUCATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED**  
**June 30, 2009**

5. Bonded Debt and Lease Obligations, Concluded:

Long-term debt activities for the year ended June 30, 2009, are as follows:

	Balance June 30, 2008	Additions	Debt Payments and Reductions	Balance June 30, 2009	Amount Due Within One Year
Series 1998	605,000	-	195,000	410,000	200,000
Series 1998	3,750,000	-	3,750,000	-	-
Series 1998	2,820,000	-	2,820,000	-	-
Series 2001	3,505,000	-	40,000	3,465,000	45,000
Series 2001	1,457,600	-	-	1,457,600	-
Series 2002	4,725,000	-	130,000	4,595,000	130,000
Series 2002	1,930,000	-	360,000	1,570,000	370,000
Series 2004	13,090,000	-	365,000	12,725,000	380,000
Series 2005	2,205,000	-	215,000	1,990,000	220,000
Series 2006	11,840,000	-	210,000	11,630,000	215,000
Series 2008A	1,270,000	-	35,000	1,235,000	35,000
Series 2008B	-	10,210,000	-	10,210,000	240,000
Series 2008 Energy	-	1,740,000	-	1,740,000	35,000
Series 2009	-	6,435,000	5,000	6,430,000	485,000
	<u>\$ 47,197,600</u>	<u>\$ 18,385,000</u>	<u>\$ 8,125,000</u>	<u>\$ 57,457,600</u>	<u>\$ 2,355,000</u>

Capitalization of Interest

Interest costs incurred during construction are capitalized, net of interest income from proceeds of tax-exempt debt as part of the cost of the related assets of the District. Interest capitalized for the year ended June 30, 2009 \$116,396.

6. Capital Lease Payable:

The following is an analysis of the leased property under capital lease by class:

<u>Class of Property</u>	<u>Book Value as of June 30, 2009</u>
Buses	\$ 936,549
Equipment	\$ 191,071

**BARREN COUNTY BOARD OF EDUCATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED**  
**June 30, 2009**

6. Capital Lease Payable, Concluded:

The following is a schedule by years of the furniture minimum lease payments under capital lease together with the present value of the net minimum lease payments as of June 30, 2009:

<u>Year Ending</u> <u>June 30</u>	<u>Capital Lease</u> <u>Payable</u>
2010	\$ 287,679
2011	265,630
2012	215,841
2013	160,048
2014	140,131
Thereafter	<u>265,676</u>
Total Minimum Lease Payments	1,335,005
Less: Amount representing interest	<u>(142,894)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 1,192,111</u>

7. Commitments Under Noncapitalized Leases:

Commitments under operating lease agreements for office equipment provide for minimum future rental payments as of June 30, 2009, as follows:

Year ending June 30:	
2010	\$ 73,575
2011	15,909
2012	5,573
2013	<u>2,041</u>
Total Minimum Rentals	<u>\$ 97,098</u>

Rent expense for the year ended June 30, 2009 was \$81,153.

8. Retirement Plans:

The Barren County Board of Education contributes to the Teachers' Retirement System of Kentucky (KTRS), a cost sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky.

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601.



**BARREN COUNTY BOARD OF EDUCATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED**  
**June 30, 2009**

8. Retirement Plans, Continued:

Contribution rates are established by KTRS. Members are required to contribute 9.855% of their salaries to KTRS. Effective July 1, 2009 new members are required to contribute 10.855% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries. The federal program for any salaries paid by that program pays the matching contributions. KRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by KY Department of Education (KDE).

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System ("CERS"), a cost sharing, multiple-employer, and public employers retirement system. Funding for the Plan is provided through payroll withholdings of 5.00% and a District contribution of 13.5% of the employee's total compensation subject to contribution. Effective September 1, 2009 new members are required to contribute 6% of their salaries.

The District's total payroll for the year was \$25,613,441. The payroll for employees covered under KTRS was \$20,559,534 and for CERS was \$5,929,935. For the year ended June 30, 2009, the Commonwealth contributed \$1,664,327 to KTRS for the benefit of our participating employees.

The contribution requirement for CERS for the year ended June 30, 2009, was \$1,097,988 which consisted of \$800,545 from the Board and \$297,443 from the employees. The Board paid \$218,108 from federal grant monies to KTRS in matching contributions for federally funded employees.

Benefits under both plans will vary based on final compensation, years of service and other factors as fully described in the Plan documents.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plans and employers.

KTRS and CERS do not make separate measurements of assets and pension benefit obligation for individual employers. The following table presents certain information regarding the Plans' status as a whole, derived from actuarial valuations performed as of the dates indicated:

**BARREN COUNTY BOARD OF EDUCATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED**  
**June 30, 2009**

8. Retirement Plans, Continued:

The following table presents the last three years of the total of all employer contributions to the Plan and the Company's contributions for the year ending June 30:

**Total Plan Contributions CERS**

<u>Fiscal Year Ended</u>	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
2008	\$544,853,127	\$353,038,626	64.80%
2007	\$398,108,795	\$281,493,082	70.71%
2006	\$356,066,426	\$219,701,869	61.70%

**District's Contributions CERS**

<u>Fiscal Year Ended</u>	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
2009	\$ 1,097,988	\$ 1,097,988	100.00%
2008	\$ 1,265,182	\$ 1,265,182	100.00%
2007	\$ 980,228	\$ 980,228	100.00%

	<u>KTRS as of June 30, 2008</u>	<u>KTRS as of June 30, 2007</u>	<u>KTRS as of June 30, 2006</u>
	<u>(In Thousands)</u>		
Assets available for benefits, at fair value	\$ 15,321,325	\$ 15,285,000	\$ 14,857,600
Pension benefit obligation	<u>22,460,304</u>	<u>21,255,000</u>	<u>20,324,700</u>
(Under funded)/over funded pension benefit obligations	<u>\$ (7,138,979)</u>	<u>\$ (5,970,000)</u>	<u>\$ (5,467,100)</u>

**Total Plan Contributions KTRS**

<u>Fiscal Year Ended</u>	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
June 30, 2008	\$ 563,800,000	\$ 439,764,000	78.00%
June 30, 2007	\$ 494,600,000	\$ 420,410,000	85.00%
June 30, 2006	\$ 406,100,000	\$ 406,100,000	100.00%

**BARREN COUNTY BOARD OF EDUCATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED**  
**June 30, 2009**

8. Retirement Plans, Concluded:

<b>District's Contributions KTRS</b>			
<u>Fiscal Year Ended</u>	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
June 30, 2009	\$ 1,664,326	\$ 1,664,326	100.00%
June 30, 2008	\$ 1,312,892	\$ 1,312,892	100.00%
June 30, 2007	\$ 1,232,863	\$ 1,232,863	100.00%

Ten-year historical trend information showing KTRS's and CERS's progress in accumulating sufficient assets to pay benefits when due is presented in their June 30, 2008 comprehensive annual financial reports.

As the District is only one of several employers participating in the Plan, it is not practicable to determine the District's portion of the unfunded past service cost or the vested benefits of the District's portion of the Plan assets.

The District also offers employees the option to participate in a defined contribution plan under Section 403(B), 401(K) and 457 of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amount allowable by law. The District does not contribute to these plans.

9. Contingencies:

The District receives funding from Federal, State and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantor's may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

10. Insurance and Related Activities:

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which include Workers Compensation Insurance.

**BARREN COUNTY BOARD OF EDUCATION**  
**NOTES TO BASIC FINANCIAL STATEMENTS, CONCLUDED**  
**June 30, 2009**

11. Risk Management:

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. The public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance Fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

12. Deficit Operating Balances:

The following funds have a deficit fund balance. These funds have operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance:

Food Service	\$ 77,253
--------------	-----------

13. COBRA:

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency).

14. Transfer of Funds:

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Matching	General	Special Revenue	Technology Match	\$ 87,707
Debt	General	Debt Service	Debt	\$ 29,326
Debt	Building	Debt Service	Debt	\$ 3,317,666
Debt	Capital Outlay	Debt Service	Debt	\$ 84,910

**BARREN COUNTY BOARD OF EDUCATION  
NOTES TO BASIC FINANCIAL STATEMENTS, CONCLUDED  
June 30, 2009**

15. Litigation:

The District is subject to various legal actions in various stages of litigation, the outcome of which is not determined at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the combined financial statements as a result of the cases presently in progress.

## SUPPLEMENTARY INFORMATION

**BARREN COUNTY BOARD OF EDUCATION**  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2009**

	Seek Capital Outlay Fund	Building Fund	Total Nonmajor Governmental Funds
Assets and resources:			
Cash and cash equivalents	\$ -	\$ -	\$ -
Inventory	-	-	-
Accounts receivable:			
Taxes-current	-	-	-
Taxes-delinquent	-	-	-
Accounts receivable	-	-	-
Intergovernmental-state	-	-	-
Intergovernmental-indirect federal	-	-	-
Intergovernmental-direct federal	-	-	-
Prepaid expenses	-	-	-
Due from other funds	-	-	-
Interest receivable	-	-	-
Investments	-	-	-
Furniture and equipment, net	-	-	-
Total Assets and Resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities and fund balance:			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Accrued payroll and related expenses	-	-	-
Current portion of accumulated sick leave	-	-	-
Deferred revenues	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Reserved for:			
Inventory and fixed assets	-	-	-
Encumbrances	-	-	-
Accrued sick leave	-	-	-
Unreserved:			
Undesignated, reported in:			
General fund	-	-	-
Special revenue funds	-	-	-
Capital projects funds	-	-	-
Debt service funds	-	-	-
Permanent funds	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditor's report and  
accompanying notes to basic financial statements.

**BARREN COUNTY BOARD OF EDUCATION**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2009**

	Seek Capital Outlay Fund	Building Fund	Total Nonmajor Governmental Funds
Revenues:			
From local sources:			
Taxes:			
Property	\$ -	\$ 2,124,147	\$ 2,124,147
Motor vehicles	-	-	-
Utilities	-	-	-
Other	-	-	-
Tuition and fees	-	-	-
Earnings on investments	-	-	-
Other local revenues	-	-	-
Intergovernmental-intermediate	-	-	-
Intergovernmental-state	407,936	1,492,488	1,900,424
Intergovernmental-indirect federal	-	-	-
Intergovernmental-direct federal	-	-	-
Total revenues	<u>407,936</u>	<u>3,616,635</u>	<u>4,024,571</u>
Expenditures:			
Instruction	-	-	-
Support services:			
Student	-	-	-
Instructional staff	-	-	-
District administration	-	-	-
School administration	-	-	-
Business	-	-	-
Plant operations and maintenance	323,026	-	323,026
Student transportation	-	-	-
Central office	-	-	-
Facilities and construction	-	298,969	298,969
Community service activities	-	-	-
Other	-	-	-
Total expenditures	<u>323,026</u>	<u>298,969</u>	<u>621,995</u>
Excess (deficit) of revenues over expenditures	<u>84,910</u>	<u>3,317,666</u>	<u>3,402,576</u>
Other financing sources (uses):			
Proceeds from sale of bonds	-	-	-
Proceeds from sale of fixed assets	-	-	-
Realized gains and losses and changes in market value	-	-	-
Operating transfers in	-	-	-
Operating transfers out	(84,910)	(3,317,666)	(3,402,576)
Total other financing sources (uses)	<u>(84,910)</u>	<u>(3,317,666)</u>	<u>(3,402,576)</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	-	-	-
Fund balance, July 1, 2008	-	-	-
Fund balance, June 30, 2009	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditor's report and  
 accompanying notes to basic financial statements.



**BARREN COUNTY HIGH SCHOOL ACTIVITY FUNDS**  
**ALL FUNDS COMBINED**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES**  
**For the Year Ended June 30, 2009**

	Cash Balance July 1, 2008	(1) Receipts	(1) Disbursements	Cash Balance June 30, 2009	Accounts Receivable	Accounts Payable	Balance June 30, 2009
ACADEMIC TEAM	\$ 2,689	\$ 1,460	\$ 2,534	\$ 1,615	\$ -0-	\$ -0-	\$ 1,615
AFTER PROM	2,291	8,937	7,551	3,677	-	800	2,877
AG SHOP	877	4,101	3,692	1,286	-	48	1,238
AGRICULTURE	-	620	620	-	-	-	-
APPLIED SCIENCE	-	1,000	145	855	-	-	855
ART	1,380	797	1,604	573	-	-	573
ATHLETIC	41,974	155,366	133,336	64,004	492	13	64,483
BAND	10,957	33,215	34,671	9,501	-	-	9,501
BASEBALL	(5)	12,527	10,082	2,440	-	-	2,440
BETA CLUB	57	8,045	7,685	417	-	-	417
BOOSTER/VENDING	1,505	6,170	5,765	1,910	-	750	1,160
BOYS BASKETBALL	4,215	21,637	22,342	3,510	-	1,273	2,237
BOYS GOLF	191	1,880	834	1,237	-	-	1,237
BROADCASTING	-	750	677	73	-	8	65
BUSINESS	20	1,830	189	1,661	-	-	1,661
CHEERLEADERS	6,158	59,904	61,276	4,786	-	1,745	3,041
CHORUS	476	697	685	488	-	-	488
CROSS COUNTRY BOYS BDGT.	157	1,532	1,388	301	-	-	301
DANCE TEAM	3,152	12,738	13,530	2,360	-	-	2,360
DEVELOPMENT ADV. GRANT	3,435	7,300	3,435	7,300	-	-	7,300
DRAMA	1,912	1,526	2,585	853	-	-	853
DRAMA CLUB	1,749	1,041	771	2,019	-	-	2,019
FACS	149	3,163	3,274	38	-	-	38
FBLA	1,605	8,768	9,371	1,002	-	-	1,002
FCA	2,583	500	450	2,633	-	-	2,633
FEA	214	-	65	149	-	-	149
FFA	5,375	54,933	55,645	4,663	-	139	4,524
FCCLA	267	8,039	8,306	-	-	-	-
FMD1	149	916	259	806	-	-	806
FMD2	50	370	311	109	-	-	109
FLOWER FUND	390	90	335	145	-	-	145
FOOTBALL	327	53,408	47,811	5,924	-	2,575	3,349
FOREIGN LANGUAGE	1,365	7,439	6,886	1,918	-	-	1,918
FRESHMEN	2,226	2,382	4,608	-	-	-	-
GENERAL	4,292	53,702	41,981	16,013	-	13,259	2,754
GIRLS BASKETBALL	3,356	7,701	8,955	2,102	-	-	2,102
GIRLS CROSS COUNTRY BDGT.	904	1,517	1,540	881	-	-	881
GIRLS GOLF	1,320	1,470	1,732	1,058	-	-	1,058
GIRLS SOFTBALL	6,357	18,988	22,114	3,231	-	470	2,761
GREENHOUSE	8,237	10,956	7,976	11,217	-	46	11,171
HANDICAPPED ATHLETIC	244	6,982	6,982	244	-	-	244
HELP DESK	229	1,279	273	1,235	-	-	1,235
JUNIORS	3,622	35,221	34,947	3,896	-	-	3,896
KEY CLUB	1,394	820	-	2,214	-	-	2,214
LIBRARY FUND	2,595	1,523	422	3,696	-	-	3,696
MAINTENANCE	-	35,500	6,378	29,122	-	39	29,083
MEDIA	25,478	18,487	13,070	30,895	-	-	30,895
MULTI MEDIA	792	20	128	684	-	60	624
PEP CLUB	2,785	8,101	5,741	5,145	-	-	5,145
PHYSICAL EDUCATION	143	1,770	1,538	375	-	-	375
SCHEDULES	665	68,278	67,002	1,941	-	-	1,941
SCHOOL STORE	556	5,692	5,026	1,222	-	-	1,222
SCIENCE	5,461	6,025	11,393	93	-	-	93
SENIORS	943	9,937	6,549	4,331	-	-	4,331
SOCCER, BOYS	392	12,564	12,444	512	-	-	512
SOCCER, GIRLS	1,729	2,499	2,599	1,629	-	-	1,629
SOCIAL STUDIES CLUB	828	5,479	6,074	233	-	-	233
SOPHOMORES	4,572	6,278	8,970	1,880	-	-	1,880
SPANISH HONOR SOCIETY	-	-	-	-	-	-	-
STUDENT ASST. PROGRAM	1,284	750	526	1,508	-	-	1,508
STUDENT SENATE	603	500	170	933	-	-	933
SWIMMING	332	2,066	1,739	659	-	-	659
TENNIS	3,062	8,245	6,794	4,513	-	-	4,513
TEXTBOOKS	514	75,935	76,270	179	-	-	179
TRACK, BOYS	2,746	2,251	2,228	2,769	-	-	2,769
TRACK, GIRLS	1,709	2,136	2,821	1,024	-	-	1,024
TROJAN TRIBUNE	719	-	-	719	-	-	719
VENDING MACHINES	2,601	26,422	27,673	1,350	377	-	1,727
VIDEO	3,411	1,145	2,215	2,341	-	-	2,341
VOLLEYBALL	2,231	3,031	2,915	2,347	-	-	2,347
Y CLUB	742	3,637	3,790	589	-	-	589
THE ZONE	-	8,053	3,253	4,800	-	-	4,800
INVESTMENT INCOME	14,473	1,287	14,400	1,360	-	-	1,360
	<u>\$ 209,211</u>	<u>\$ 939,328</u>	<u>\$ 871,346</u>	<u>\$ 277,193</u>	<u>\$ 669</u>	<u>\$ 21,225</u>	<u>\$ 256,837</u>

(1) Included in receipts and disbursements are Inter-fund transfers in the amount of \$133,284.

**MIDDLE SCHOOL AND ELEMENTARY SCHOOLS ACTIVITY FUNDS**  
**ALL FUNDS COMBINED**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES**  
**For the Year Ended June 30, 2009**

	Cash Balance July 1, 2008	(1) Receipts	(1) Disbursements	Cash Balance June 30, 2009	Accounts Receivable	Accounts Payable	Fund Balance June 30, 2009
BARREN CO. MIDDLE SCHOOL	\$ 115,618	\$ 330,951	\$ 379,870	\$ 66,699	\$ 1,164	\$ 8,504	\$ 59,359
AUSTIN TRACY	19,752	68,424	61,387	26,789	-	-	26,789
EASTERN ELEMENTARY	23,345	118,795	124,691	17,449	-	59	17,390
HISEVILLE ELEMENTARY	31,036	110,981	88,489	53,528	1,290	662	54,156
PARK CITY ELEMENTARY	38,560	115,623	113,510	40,673	-	-	40,673
RED CROSS ELEMENTARY	39,091	350,991	300,609	89,473	-	8,691	80,782
TEMPLE HILL ELEMENTARY	28,782	125,943	132,836	21,889	-	-	21,889
TOTAL	\$ 296,184	\$ 1,221,708	\$ 1,201,392	\$ 316,500	\$ 2,454	\$ 17,916	\$ 301,038

(1)

Included in receipts and disbursements are Inter-fund transfers in the amount of \$69,243.

**BARREN COUNTY BOARD OF EDUCATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2009**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<u>U.S. Department of Agriculture:</u>			
Passed-through State Department of Education:			
School Nutrition Cluster			
School Breakfast Program	10.553	7760005 09	\$ 456,337
National School Lunch Program	10.555	7750002 09	1,072,753
Summer Meal Program	10.559	7740023 08	70,344
State Match	10.555	77500 09	29,222
Passed-through State Department of Agriculture:			
Food distribution/Commodities	10.550	77509	120,701
Total Department of Agriculture			<u>\$ 1,749,357</u>
<u>U.S. Department of Education:</u>			
Passed-through State Department of Education:			
Title I:			
2008 Project	84.010	3100002 08	\$ 21,492
2009 Project	84.010	3100002 09	993,207
Migrant:			
2008 Project	84.011	3110002 08	48,204
2009 Project	84.011	3110002 09	161,424
Education Technology:			
2008 Project	84.318	3210002 08	623
Safe and Drug-Free Schools:			
2009 Project	84.186	3410002 09	16,105
Handicapped Preschool and School Programs:			
Special Education Cluster			
2008 Project - Special Education	84.027	3810002 08	447
2009 Project - Special Education	84.027	3810002 09	741,006
2009 Preschool	84.173	3800002 09	18,158
Title II: (Improving Teacher Quality)			
2009 Project	84.367	3230002 09	226,808
Vocation Education-08	84.048	4620732 08	578
Vocation Education-09	84.048	4620732 09	29,661
Vocation Education-07	84.048	4620732 07	1,588
State Assessment-07	84.369	3900001 07	1,974
Learn & Serve America 08	94.004	1000002 08	4,800
Learn & Serve America 09	94.004	1000002 09	3,825
National Comm Service 08	84.287	3400002 08	117,547
National Comm Service 09	84.287	3400002 09	13,634
Innovative Education Program-08	84.298	3500002 08	5,950
Innovative Education Program-09	84.298	3500002 09	7,028
English Langue Acquisition 08	84.365	3300002 08	11,067
English Langue Acquisition 09	84.365	3300002 09	5,475
Youth Service 08	93.938	2000001 08	150
Total Department of Education			<u>\$ 2,430,751</u>
Total Federal Assistance			<u>\$ 4,180,108</u>

**BARREN COUNTY BOARD OF EDUCATION**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**June 30, 2009**

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Barren County Board of Education and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. Food Distribution:

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed.

**BARREN COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2009**

**I. SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued (unqualified):

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes        X   No
- Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes        X   No

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes        X   No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes        X   No
- Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes        X   None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

\_\_\_\_\_ Yes        X   No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

10.555  
10.559  
10.553  
10.550

National School Lunch  
Summer Meal Program  
National School Breakfast  
Food Distribution /Commodities

Dollar threshold used to distinguish Between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

  X   Yes      \_\_\_\_\_ No

**BARREN COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2009**

II. FINANCIAL STATEMENTS FINDINGS

a. No matters were reported.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

a. No matters were reported.

**BARREN COUNTY BOARD OF EDUCATION  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
For the Year Ended June 30, 2009**

**Barren County Board of Education**

Prior audit finding 2008-1: During our audit, we noted that the District needed improvement upon its segregation of duties within the finance department.

Status: Additional segregation of duties was evident with senior managerial personnel being more active in the review and approval of financial matters.

Prior audit finding 2008-2: Record keeping procedures for the recording of fixed assets within the various divisions of the District need to be more efficiently reviewed and updated.

Status: Communication between accounting personnel and the facilities manager for the complete inclusion of fixed asset expenditures was evidenced through correspondence between the parties involved.

# CAMPBELL, MYERS & RUTLEDGE, PLLC

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## Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Members of the Board of Education  
Barren County Board of Education  
Glasgow, Kentucky 42141

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Barren County Board of Education as of and for the year ended June 30, 2009, which collectively comprise the Barren County Board of Education's basic financial statements and have issued our report thereon dated November 10, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District audits in *Appendix I of the Independent Auditor's contract – General Audit Requirements, Appendix II of the Independent Auditor's Contract – State Audit Requirements, and Appendix III of the Independent Auditor's Contract – Electronic Submission*.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered Barren County Board of Education's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Barren County Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Barren County Board of Education's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Barren County Board of Education's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Barren County Board of Education's financial statements that is more than inconsequential will not be prevented or detected by Barren County Board of Education's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Barren County Board of Education's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Barren County Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Barren County Board of Education, in a separate letter dated November 10, 2009.

This report is intended solely for the information and use of the Kentucky State Committee for School District Audits, the members of the Board of Education of Barren County Board of Education, the Kentucky Department of Education management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

*Campbell, Myers & Rathledge, PLLC*  
Certified Public Accountants

November 10, 2009

# CAMPBELL, MYERS & RUTLEDGE, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

Report on Compliance  
With Requirements Applicable to Each  
Major Program and on Internal Control Over  
Compliance in Accordance with OMB Circular A-133

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Members of the Board of Education  
Barren County Board of Education  
Glasgow, Kentucky 42141

## Compliance

We have audited the compliance of Barren County Board of Education with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Barren County Board of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Barren County Board of Education's management. Our responsibility is to express an opinion on Barren County Board of Education's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the audit requirements prescribed by the Kentucky State Committee for School District audits in *Appendix I of the Independent Auditor's contract – General Audit Requirements, Appendix II of the Independent Auditor's Contract – State Audit Requirements, and Appendix III of the Independent Auditor's Contract – Electronic Submission*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Barren County Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Barren County Board of Education's compliance with those requirements.

In our opinion, Barren County Board of Education, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

## Internal Control Over Compliance

The management of Barren County Board of Education, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Barren County Board of Education's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Barren County Board of Education's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. In addition, the results of our test disclosed no instances of noncompliance of specific state statutes or regulations identified in Appendix II of the Independent Auditor's Contract – State Audit Requirements.

This report is intended solely for the information and use of members of the Kentucky State Committee for School District Audits, the members of the Board of Education of Barren County Board of Education, the Kentucky Department of Education management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

*Campbell, Myers & Ratledge, PLLC*  
Certified Public Accountants

November 10, 2009

# CAMPBELL, MYERS & RUTLEDGE, PLLC

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Barren County Board of Education  
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In planning and performing our audit of the financial statements of the Barren County Board of Education as of and for the year ended June 30, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered Barren County Board of Education's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Company personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,

*Campbell, Myers & Rutledge, PLLC*  
Certified Public Accountants  
Glasgow, Kentucky

November 10, 2009

**BARREN COUNTY BOARD OF EDUCATION  
MANAGEMENT LETTER COMMENTS  
June 30, 2009**

**PRIOR YEAR COMMENTS**

**Barren County High School**

Prior fiscal year condition: Cash receipts were not deposited into the bank in a timely manner.

Observation: The High School had monies on hand in excess of \$100 on multiple occurrences. We will address as a current year condition.

Prior fiscal year condition: Certain employees were reimbursed for travel expenses that did not meet the guidelines as set forth in the *Barren County Schools Employee Handbook*.

Observation: No current year exceptions were noted during the review of requests for reimbursement of travel expenses.

**Hiseville Elementary:**

Prior fiscal year condition: An activity fund ended the fiscal year with a deficit balance.

Observation: No current year funds ended in a deficit balance.

**CURRENT YEAR COMMENTS**

**Barren County High School**

Criteria: *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book) requires that all monies collected be deposited on a daily basis. In the event that less than \$100 is on hand to deposit smaller amounts may be held in a secure location.

Condition: Cash receipts were not deposited into the bank in a timely manner.

Cause: The High School had monies on hand in excess of \$100 on multiple occurrences.

Effect: Noncompliance with *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book).

Recommendation: Deposit cash receipts on a daily basis when amounts on hand are in excess of \$100 in accordance with *Red Book* guidelines.

Response: Annual training for the *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book) was instituted in FY 2009 and current issues were brought to the attention of administrative personnel. In addition, management will discuss changes in the "Red Book" along with issues noted during the Annual Audit with management and staff. Furthermore, in the event that daily operations would not permit the school bookkeeper from performing her duties, additional personnel would assume her duties in order that daily deposits be made.

**BARREN COUNTY BOARD OF EDUCATION  
MANAGEMENT LETTER COMMENTS, CONTINUED  
June 30, 2009**

**Park City Elementary:**

Criteria: *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book) requires that purchase orders be approved by sponsors and principals before payment is obligated.

Condition: Multiple invoices for various expenditures were paid by the school without proper invoice approval.

Cause: School personnel failed to complete the appropriate paper work associated with expenditures.

Effect: Noncompliance with *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book).

Recommendation: We recommend all school personnel are educated about proper policy procedures regarding expenditures according to the "Red Book."

Response: Annual training for the *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book) was instituted in FY 2009 and current issues were brought to the attention of administrative personnel. In addition, management will discuss changes in the "Red Book" along with issues noted during the Annual Audit with management and staff.

**Park City Elementary:**

Criteria: *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book) requires that the monthly and annual financial reports shall include the amounts in checking and investment accounts.

Condition: Investments accounts were improperly omitted from monthly and annual financial reports by school personnel.

Cause: School personnel failed to record an investment account in the monthly and annual financial reports

Effect: Noncompliance with *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book).

Recommendation: We recommend all school personnel are educated about proper policy procedures regarding recording investment accounts in monthly and annual financial reports according to the "Red Book."

Response: Annual training for the *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book) was instituted in FY 2009 and current issues were brought to the attention of administrative personnel. In addition, management will discuss changes in the "Red Book" along with issues noted during the Annual Audit with management and staff.

**BARREN COUNTY BOARD OF EDUCATION  
MANAGEMENT LETTER COMMENTS, CONCLUDED  
June 30, 2009**

**Hiseville Elementary:**

Criteria: *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book) requires that the monthly and annual financial reports shall include the amounts in checking and investment accounts.

Condition: Investments accounts were improperly omitted from monthly and annual financial reports by school personnel.

Cause: School personnel failed to record an investment account in the monthly and annual financial reports

Effect: Noncompliance with *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book).

Recommendation: We recommend all school personnel are educated about proper policy procedures regarding recording investment accounts in monthly and annual financial reports according to the "Red Book."

Response: Annual training for the *A Uniform Program of Accounting for School Activity Funds in Kentucky Schools* (Red Book) was instituted in FY 2009 and current issues were brought to the attention of administrative personnel. In addition, management will discuss changes in the "Red Book" along with issues noted during the Annual Audit with management and staff.

